

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DELAWARE NATIONAL GUARD**  
**INTERNAL CONTROL REVIEW OF THE**  
**GENERAL FUND AND EXTERNAL ACCOUNTS**  
**FOLLOW-UP REPORT**

**AS OF JANUARY 31, 2006**

FIELDWORK END DATE: FEBRUARY 23, 2006

**R. THOMAS WAGNER, JR., CGFM, CFE**  
**AUDITOR OF ACCOUNTS**

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# Executive Summary

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The Office of Auditor of Accounts (AOA) completed a follow-up engagement to determine if recommendations were implemented for the Delaware National Guard (DNG) performance audit report, entitled “Internal Control Review of the General Fund and External Accounts, July 1, 2004 – January 31, 2005.”

The results of the follow-up engagement are summarized below:

## Organizational Chart:

- AOA recommended that the DNG Comptroller’s Office prepare a written organizational chart in order to more effectively detail the levels of responsibility and lines of communication within the Office. The DNG Comptroller’s Office implemented the recommendation and now has a sufficient organizational chart.

## Policies and Procedures:

- AOA recommended that the DNG Comptroller’s Office establish in-house written policies and procedures that address the receipt and disbursement of agency funds. The DNG Comptroller’s Office has not yet developed in-house written policies and procedures; and therefore did not implement the recommendation.

## Daily Deposits:

- AOA recommended that the DNG Comptroller’s Office make daily deposits when funds received total \$100 or more, or at least weekly, in accordance with the State of Delaware *Budget and Accounting Manual*. Further, AOA recommended that the DNG Comptroller contact the Division of Accounting to determine if a waiver of the deposit requirement could be obtained. The DNG Comptroller did not contact the Division of Accounting to request a waiver, and deposits continue to be not in compliance with the State of Delaware *Budget and Accounting Manual*. The recommendations were not implemented.

## Payments Within 30 Days:

- AOA recommended that the DNG Comptroller’s Office establish policies and procedures to expedite the processing of invoices in order make payments within 30 days. The recommendation was partially implemented. Invoices are sent to the DNG Facilities Management Office for payment approval. However, approved invoices are not received by the DNG Comptroller’s Office in a manner that would allow payment within 30 days. The DNG Comptroller’s Office prepares payment vouchers for processing within a reasonable amount of time after receipt of the invoices from the DNG Facilities Management Office.

## Rental Audit List:

- AOA recommended that the Billeting Officer sign the rental audit list denoting preparation and the Comptroller sign and date denoting review. The rental audit lists are

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# Executive Summary

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now signed by the preparer and signed and dated by the reviewer. The recommendation was implemented.

## External Account Forms:

- AOA recommended that the DNG Comptroller review all “Non Appropriated Receipt and Disbursement Forms” initiated by the Budget Analyst. Additionally, the descriptions on some of these forms should be expanded. The recommendation was partially implemented: for the forms selected for testing, all form descriptions were correct; however, some forms did not contain evidence of the DNG Comptroller’s review.

## Travel Expenditures:

- AOA recommended that the DNG Comptroller approve all travel authorizations prior to the employee’s travel. All travel expenditures selected for testing were approved. The recommendation was implemented.

## DFMS Access:

- AOA recommended that the DNG Comptroller’s DFMS access should be limited to first and second approval and inquiry for transactions only. The second Budget Technician’s position has not yet been filled. Therefore, the recommendation was not implemented.

## Coffee/Pepsi Fund:

- AOA recommended that the DNG Comptroller’s Office should modify its current procedures so that there is a segregation of duties within the collection, deposit, and reconciliation of the Coffee/Pepsi Fund. Although the deposits are now made in another account, the recommendation was implemented for these transactions.

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# Table of Contents

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Audit Authority .....1

Background .....2

Objective, Scope, and Methodology .....3

Status of Prior Year Findings and Recommendations .....4

Distribution of Report .....9

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# Audit Authority

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to perform post audits of all the financial transactions of all State agencies.

The law requires that the audits be made in conformity with generally accepted auditing principles and practices. Such principles and practices are established by two standard setting bodies: the American Institute of Certified Public Accountants, which has issued Generally Accepted Auditing Standards; and the U.S. General Accounting Office, which has issued Generally Accepted Government Auditing Standards.

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# Background

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The Office of Auditor of Accounts (AOA) issued a performance audit report for the Delaware National Guard (DNG) entitled “Internal Control Review of the General Fund and External Accounts, July 1, 2004 – January 31, 2005” (01/31/05 DNG Report).

During that engagement, AOA reviewed internal controls related to cash receipts and disbursements within the general fund and external accounts. The following weaknesses were noted:

## Organizational Chart

Management does not maintain an organizational chart detailing levels of responsibility and lines of communication.

## Policies and Procedures

The DNG Comptroller’s Office has not developed written policies and procedures that address the agency’s internal operations.

## Daily Deposits

Funds received by the DNG are not deposited in accordance with the State of Delaware *Budget and Accounting Manual*.

## Payments Within 30 Days

The DNG is not consistently making payments to vendors within a time period of 30 days.

## Rental Audit List

Documentation relative to the revenue process does not show evidence of approval or review. The rental audit list completed by the Billing Officer was not signed or dated. In addition, the DNG Comptroller does not sign or date after his review.

## External Account Forms

Forms required for the disbursement and receipt of non-appropriated funds were found to have incorrect fund names and inadequate descriptions recorded.

## Travel Expenditures

Travel expenditures were not consistently approved by both the employee’s supervisor and the DNG Comptroller.

## DFMS Access

Each user’s level of access within DFMS is not consistent with the procedures used in processing transactions.

## Coffee/Pepsi Fund

Duties were not adequately segregated relative to the Coffee/Pepsi Fund.

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# Objective, Scope, and Methodology

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## **OBJECTIVE AND SCOPE**

The objective of the following engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the 01/31/05 DNG Report.

The scope of this engagement, a non-audit service, was limited to a follow-up of the 01/31/05 DNG Report. The previous findings and recommendations included the areas of Organizational Chart, Policies and Procedures, Daily Deposits, Payments within 30 days, Rental Audit List, External Account Forms, Travel Expenditures, DFMS Access, and Coffee/Pepsi Fund. Testing of the status of the previous recommendations was performed for the period from July 1, 2005 through January 31, 2006.

## **METHODOLOGY**

AOA conducted this engagement in accordance with Generally Accepted Government Auditing Standards (GAGAS). Our procedures consisted of interviews and inquiry of key personnel; inspection and confirmation of documentation; observation of procedures; and performing tests of key controls when considered necessary.

# Status of Prior Year Findings and Recommendations

The following table summarizes prior year findings, recommendations, management responses, and the results of the current year follow-up engagement for the 01/31/05 DNG Report.

Finding	Recommendation	Management Response	Current Year Status*
<i>Organizational Chart</i>			
Management does not maintain an organizational chart detailing levels of responsibility and lines of communication.	The DNG Comptroller's Office should prepare a written organizational chart in order to more effectively detail the levels of responsibility and lines of communication within the Office.	A written organizational chart for the DNG Comptroller's Office will be prepared detailing the levels of responsibility and lines of communication with the Office. This will include the current verbal responsibilities and communication structure. The expected time for completion is June 2005.	Implemented.
<i>Policies and Procedures</i>			
The DNG Comptroller's Office has not developed written policies and procedures which address the agency's internal operations.	The DNG Comptroller's Office should establish in-house written policies and procedures that address the receipt and disbursement of agency funds.	In-house written policies and procedures that address the receipt and disbursement of agency funds will be established. Estimated completion date is September 30, 2005.	Not Implemented.



# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>Daily Deposits</i>			
Funds received by the DNG are not deposited in accordance with the State of Delaware <i>Budget and Accounting Manual</i> .	The DNG Comptroller's Office should make daily deposits when funds received total \$100 or more. If less than \$100 is received, deposits should be made at least weekly.	<p>The DNG agrees that deposits are not always made when funds greater than \$100 are received. DFMS account deposits will be made in accordance with the <i>Budget and Accounting Manual</i> immediately. However, it is not feasible to make deposits to the non-DFMS accounts maintained at Dover Federal Credit Union or DFMS deposits from the Bethany Beach Billeting Office because of the small size of the staff and the time involved in making these deposits (estimated one hour).</p> <p>AUDITOR RESPONSE: The DNG Comptroller should discuss this issue with the Director of the Division of Accounting and determine if a waiver to this requirement can be obtained.</p>	Not Implemented.

# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>Payments Within 30 Days</i>			
The DNG is not consistently making payments to vendors within a time period of 30 days.	Policies and procedures should be put in place to expedite the processing of the invoices, allowing the DNG Comptroller's Office to submit the payment voucher for payment within 30 days.	The Facilities Management Office will assign another individual to assist with invoice processing so that their office does not fall behind on forwarding invoices to the DNG Comptroller's Office.	Partially Implemented. Invoices are sent to the DNG Facilities Management Office for payment approval. However, approved invoices are not received by the DNG Comptroller's Office in a manner that would allow payment within 30 days. The DNG Comptroller's Office prepares payment vouchers for processing within a reasonable amount of time after receipt of the invoices from the DNG Facilities Management Office.
<i>Rental Audit List</i>			
Documentation relative to the revenue process does not show evidence of approval or review. The rental audit list completed by the Billeting Officer was not signed or dated. In addition, the DNG Comptroller does not sign or date after his review.	The Billeting Officer should sign the rental audit list denoting preparation; the DNG Comptroller should sign and date denoting review.	The Billeting Officer or other Billeting Office personnel who prepare the list will sign below the date to certify preparation of the list. The DNG Comptroller or other DNG Comptroller Office personnel who process the audit list will date and sign the audit list certifying the review of the listing. The procedure is being implemented April 1, 2005.	Implemented.

# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>External Account Forms</i>			
Forms required for the disbursement and receipt of non-appropriated funds were found to have incorrect fund names and inadequate descriptions recorded.	The DNG Comptroller should review all “Non Appropriated Receipt and Disbursement Forms” initiated by the Budget Analyst. Additionally, the descriptions on some of these forms should be expanded.	The DNG Comptroller will review all forms initiated by the Budget Analyst for accuracy and complete justification. The DNG Comptroller’s signature and date immediately below the Custodian Signature block of the form will denote this review.	Partially Implemented. The form descriptions were correct, however, some forms did not contain evidence of the DNG Comptroller’s review.
<i>Travel Expenditures</i>			
Travel expenditures were not consistently approved by both the employee’s supervisor and the DNG Comptroller.	The DNG Comptroller should approve all travel authorizations prior to the employee’s travel.	The one travel trip not having the DNG Comptroller’s approval was for the Adjutant General. The approval for his travel was done verbally on this one occasion.	Implemented.
<i>DFMS Access</i>			
Each user’s level of access within DFMS is not consistent with the procedures used in processing transactions.	The DNG Comptroller’s DFMS access should be limited to first and second approval and inquiry for transactions only.	To limit the DNG Comptroller’s access to only approval authority will create additional workload on an already burdened Budget Analyst and Budget Technician. If, and when, the second Budget Technician position is filled, then the DNG Comptroller’s access to DFMS will be limited to approval and inquiry.	Not Implemented.

# Status of Prior Year Findings and Recommendations

Finding	Recommendation	Management Response	Current Year Status*
<i>Coffee/Pepsi Fund</i>			
Duties were not adequately segregated relative to the Coffee/Pepsi Fund.	The DNG Comptroller's Office should modify its current procedures so that there is a segregation of duties within the collection, deposit, and reconciliation of the Coffee/Pepsi Fund.	The Budget Technician will continue to count the cash; the DNG Comptroller will make the deposit, and the Budget Analyst will reconcile the bank statement.	Implemented.

**\* Status Key:**

- **Implemented:** The concern has been addressed by implementing the original or an alternate corrective action.
- **Not Implemented:** The corrective action has not been initiated.
- **Partially Implemented:** The corrective action has been initiated but is not complete and the auditor has reason to believe management fully intends to address the concern.

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# Distribution of Report

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Copies of this report have been distributed to the following public officials:

Executive Branch

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Richard S. Cordrey, Secretary, Department of Finance  
The Honorable Jennifer W. Davis, Director, Office of Management and Budget  
Ms. Trisha Neely, Director, Division of Accounting

Legislative Branch

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General  
The Honorable Jack Markell, Treasurer, State Treasurer's Office

Delaware National Guard

Major General Francis D. Vavala, Adjutant General  
Mr. Manuel Balseiro, Jr., Comptroller

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